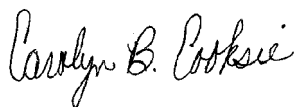


For: State and County Offices

**Considering FSA Disaster Payments When Processing Emergency (EM)
Loans and Determining 2003 Cash Flow Projections**

Approved by: Deputy Administrator, Farm Loan Programs and Deputy Administrator, Farm Programs



1 Overview

A Background

The Agricultural Assistance Act of 2003 (the Act), signed into law on February 20, 2003, provides assistance to producers who have suffered losses because of weather related disasters or other emergency conditions. Payments received by producers under the Act may be included in their 2003 cash flow analysis. 3-FLP, subparagraph 163 P, requires an applicant to repay any duplicate Federal assistance to the Agency providing such assistance. An applicant receiving Federal assistance for a major disaster or emergency is liable to the United States to the extent that the assistance duplicates benefits available to the applicant for the same purpose from another source.

B Purpose

This notice provides guidance on:

- estimating disaster payments when processing, approving, and closing EM loans
- including payments provided under the Act when developing FSA 431-2
- taking assignments on disaster payments related to EM loan assistance
- releasing assignments on disaster payments not related to EM loan assistance.

C Contact

If there are questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact Mike Hinton or Orlando C. Kilcrease at 202-720-1472.

Disposal Date	Distribution
January 1, 2004	State Offices; State Offices relay to County Offices

2 Considering Disaster Assistance When Processing EM Loans

A Processing EM Loans

Loan approval officials shall:

- continue to process loan applications in a timely manner
- upon receipt of an application, request that CED in each local office where Crop Disaster Program (CDP) and other disaster-related applications have been filed, estimate the producer's payment entitlement.

CED's shall:

- consider CDP applications from producers who are seeking EM loans a priority when determining CDP and other disaster-related payment eligibility
- within 5 workdays of a request from the loan approval official, complete the calculation of CDP or other disaster related payment for which the producer has filed an application.

Note: Producers have the choice of electing 2001 or 2002 crop year, except sugar cane, sugar beets, or tobacco, for which crop disaster and other disaster-related payments will be determined. Assignments will not be taken on crop disaster and other disaster-related payments for 2001 if the EM loan is based on 2002 crops or livestock.

B Crop Disaster Program

Loan approval officials shall:

- include CDP payment, if known, on FSA 1945-26, items C2 and D2, when determining EM loan amounts
- complete CCC-36, assigning future CDP and other disaster-related payments to FSA, for the producer's signature at loan closing, if the CDP payment is not known during EM loan processing
- release assignment held by the Agency when payment is made available to the producer if it is determined after closing EM loan that the CDP payment and EM loan are not related.

2 Considering Disaster Assistance When Processing EM Loans (Continued)

C Livestock Compensation Program (LCP-II)

LCP-II payments made available under the Act:

- may be provided to livestock producers
- will **not** be considered when determining EM loan amounts
- will be calculated by using the same rates under the previously announced LCP.

D Livestock Assistance Program (LAP)

LAP payments made available under the Act:

- are disaster payments and will be considered when determining EM loan amounts
- will be calculated by using the same formula as previously used for the program
- may be provided to producers if a county was declared or designated a disaster in either 2001 or 2002 and meets grazing loss criteria established under LAP

Note: Producers may elect to receive a LAP payment for either 2001 or 2002, but not both

- will be assigned to FSA if the LAP payment is not known during EM loan processing

Note: Loan approval officials shall complete CCC-36 for the producer's signature at loan closing. CCC-36 will cover future LAP and other disaster related payments.

- will be released from assignment given to FSA when payment is made available to the producer if it is determined after closing EM loan that the LAP payment and EM loan are not related
- must be reduced by the amount of LCP and 2002 Cattle Feed Program assistance received by the producer. If the LCP payment and 2002 Cattle Feed Program assistance amount, as applicable, is equal to or greater than the LAP calculation, the LAP payment will be reduced to zero.

3 Closing EM Loans with Disaster Assistance

A EM Loan Closing

Loan approval officials shall:

- include as a loan closing condition on FmHA 1940-1 the following: “The producer agrees to assign any future CDP and any other disaster-related program payments above the amount included on FSA 1945-26, items C2 and D2, for the same loss to FSA as an extra payment on this loan.”
- take no action on EM loans closed before signing of the Act.

4 Considering Disaster Assistance When Developing FSA 431-2

A Developing FSA 431-2 or Other Financial Projections

Loan approval officials shall:

- determine whether the applicant has applied and may be eligible to receive CDP or other disaster-related payment assistance
- contact CED to determine the amount of disaster payments the applicant has received or can expect to receive during the planning period
- include all disaster-related payments in the cash flow of FSA 431-2 or other financial projections for 2003.

Note: Disaster payments provided under the Act are ad-hoc and can only be included in the 2003 cash flow projections of FSA 431-2. These payments cannot be included in the cash flow projections of long range and/or typical year plans.